



State of North Carolina

Office of the State Controller

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STATE CONTROLLER

August 25, 2009

MEMORANDUM

TO: Chief Fiscal Officers
Vice Chancellors
Business Officers
HR Directors

FROM: David McCoy

SUBJECT: International ACH Transactions (IAT) Rules Implementation

On July 28, 2009, the Office of the State Controller issued an advisory to alert all North Carolina governmental entities of the new International ACH Transactions (IAT) rules that are scheduled to go into effect September 18, 2009. All entities originating payments electronically, whether for payroll, pensions, or vendor payments, were advised to review the rules for their application impact on each agency.

The IAT rules are designed to assist US companies and governments in complying with the requirements of the Office of Foreign Assets Control (OFAC) in identifying payments to parties that potentially may be sanctioned by the OFAC. Accordingly, the IAT rules apply to all payroll centers that pay employees by direct deposit and agencies that pay vendors by direct deposit. An IAT payment is basically a direct deposit to a payee where the entire payment amount is subject to being transferred to a foreign bank. The rules apply even though the payments may initially be deposited electronically to a domestic bank account.

The Office of the State Controller (OSC) functions as the administrator of two of the State's payroll centers (BEACON and Central Payroll), as well as the provider of two vendor databases (NCAS trade vendors and NCAS non-trade vendors). For those agencies being serviced by either one of the OSC payroll centers or NCAS, please be advised that OSC is in the process of implementing procedures and processes to ensure compliance with the IAT rules before the September 18th effective date. The actions taken by each OSC program area are outlined in separate communications being sent to the appropriate contacts at each agency.

Implementation requires that specific actions be taken by the agencies serviced by OSC. Please review and proceed with the implementation actions outlined in the OSC document, "Guidance for Agencies Implementing IAT Rules" found at <http://www.osc.nc.gov/SECP/SECP IAT Rules.html>. The OSC document is also designed to provide implementation guidance to agencies that operate separate payroll centers and/or that maintain their own vendor database (separate from NCAS). You will note that one of

the most important required agency actions is the notification of all employees and vendors being paid by direct deposit of their obligation to assist in the State's adherence to the IAT rules.

Please address any questions to Support Services at (919) 707-0795 or osc.support.services@osc.nc.gov.